

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L ROME 6621

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TAGS: ENRG, IT, US

SUBJECT: US-ITALY BILATERAL ENERGY WORKING GROUP

1. SUMMARY: ECON/COMM MINISTER MAY 6 COURTESY CALL ON NEWLY-ARRIVED MFA ENERGY COORDINATOR MINISTER GIOVANNI MIGLIUOLO RESULTED IN THOROUGH REVIEW ROLE OF US-ITALY BILATERAL ENERGY WORKING GROUP (EWG). INSISTING ON NEED TO VIEW EWG IN CONTEXT VULNERABLE ITALIAN ECONOMIC SITUATION AND DELICATE POLITICAL SITUATION, MIGLIUOLO EMPHASIZED GOI BELIEF THAT EWG ABLE TO MAKE POSITIVE CONTRIBUTION. END SUMMARY

2. MIGLIUOLO (WHO HAD BEEN ASKED BY FOREIGN MINISTER RUMOR TO TAKE ON NEWLY-CREATED POST AS COORDINATOR FOR ENERGY MATTERS) OUTLINED ENERGY PROBLEMS AND SCARCELY LESS DIFFICULT POLITICAL SITUATION. OBJECTIVELY, ITALY'S MOST VULNERABLE POSITION AMONG THE PETROLEUM CONSUMING COUNTRIES HAS NOT BASICALLY CHANGED DESPITE RECENT IMPROVEMENTS IN ITS BALANCE-OF-PAYMENTS AND INTERNATIONAL FINANCIAL POSITION.

3. POLITICALLY, DIMINISHING SENSE OF THREAT AS MEMORY OF THE EVENTS FOLLOWING THE 1973 YOM KIPPUR WAR HAS INCREASINGLY
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CALLED INTO QUESTION ITALIAN COMMITMENTS IN THE IEA; PARTICULARLY,

MINIMUM PROTECTED PRICE PROPOSAL IS CONSTRUED PUALLY AS THREAT TO ITALIAN ECONOMY. THIS ATTITUDE, PLUS THE DELICATE INTERNAL POLITICAL BALANCE, THREATENS EVENTUAL GOI RATIFICATION OF THE ORIGINAL IEA ACCORDS (WHICH HE BELIEVES, ACCORDING TO A RULING ON CONSTITUTIONAL PROCEDURE, MUST PROBABLY BE SUBMITTED TO PARLIAMENT). MIGLIUOLO UNDERLINED GOI BELIEF THAT WHAT SACRIFICES HAVE BEEN MADE IN NAME OF CONSUMER SOLIDARITY WERE NECESSARY, AND THAT GOI REMAINS DISPOSED TO CONTINUE ITS POLICY OF COOPERATION AND COLLABORATION IN THE ENERGY FIELD. BUT BOTH ECONOMIC AND POLITICAL CONSIDERATIONS DICTATE A NEED TO SHOW POSITIVE PROGRESS IN THE ENERGY FIELD.

4. EXPRESSING CONCERN THAT THIS BACKGROUND HAD NOT BEEN FULLY APPRECIATED BECAUSE OF THE US'S RELATIVELY WELL-OFF POSITION IN THE ENERGY FIELD, MIGLIUOLO STRESSED THAT THE EWG MUST BE VIEWED IN THE CONTEXT OF THE ITALIAN SITUATION AND US-ITALIAN BILATERAL ECONOMIC AND POLITICAL RELATIONSHIPS. MIGLIUOLO SAID THAT THE MAY 12 EWG MEETING WOULD BE ESSENTIAL FOR A THOROUGH DISCUSSION OF THE ISSUES RAISED INITIALLY DURING THE ENDERS VISIT, AND ADDED THAT AT HIS URGING GOI TECHNICIANS ARE PREPARING SPECIFIC PROPOSALS FOR CONSIDERATION.

5. ECON/COMM MINISTER POINTED OUT THAT US INITIATIVES IN FORM OF PRESIDENT FORD'S LETTER AND SUBSEQUENT VISIT BY ASSISTANT SECRETARY ENDERS GIVE AMPLE EVIDENCE THAT ITALIAN SITUATION FULLY UNDERSTOOD BY USG. IMPORTANCE OF BILATERAL POLITICAL AND ECONOMIC CONSIDERATIONS WERE STRESSED BY ECON/COMM MINISTER, AND NEED TO ESTABLISH DIALOGUE BEGUN DURING ENDERS VISIT EMPHASIZED. ECOMIN ASSURED MIGLIUOLO THAT WASHINGTON WAS WELL AWARE GOI CONCERN AND IS FULLY PREPARED TO REVIEW SITUATION WITH GOI. PREPARATION OF SPECIFIC POINTS WOULD HELP FOCUS DISCUSSION. ECON/COMM MINISTER NOTED NATURE RELATIONSHIPS BETWEEN US GOVT AND INDUSTRY AND VARIOUS PRACTICAL AND LEGAL RESTRICTIONS ON US AGENCIES SUCH AS EXIM SUGGESTED THAT INITIAL EXPECTATIONS SHOULD NOT BE TOO HIGH.

6. MIGLIUOLO SAID HE HAD EXPECTED TO HEAR ABOUT USG LIMITATIONS, BUT STRESSED THAT ITALIAN SITUATION IS SERIOUS AND THAT TIME IS LIMITED. HE ACKNOWLEDGED THE PROBLEM OF PRECEDENTS IN US RELATIONS WITH OTHER COUNTRIES BUT MAINTAINED ITALY'S MOST-CONFIDENTIAL

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AFFECTED POSITION SHOULD BE CLEARLY RECOGNIZED AS EXCEPTIONAL. MIGLIUOLO EMPHASIZED THE NEED TO AVOID "LEGALISTIC" INTERPRETATIONS WHICH WOULD LEAD TO IMPRESSIONS OF A NEGATIVE US ATTITUDE. FINALLY, SPEAKING PERSONALLY, MIGLIUOLO SAID HE WAS DEEPLY CONCERNED THAT A FAILURE TO ACHIEVE POSITIVE RESULTS IN THE EWG MEETING WOULD PROVOKE A REACTION IN THE TECHNICAL MINISTRIES AND ENI AGAINST COOPERATION IN GENERAL AND THE IEA IN PARTICULAR. THE MFA CAN NO LONGER

TAKE THE LEAD IN ENERGY MATTERS AND EXPECT THE OTHER
AGENCIES TO CLOSE RANKS AFTER THE FACT.

7. COMMENT: MIGLIUOLO'S EMPHASIS ON THE NEED TO CONSIDER THE
POLITICAL AND ECONOMIC BACKGROUND IS WELL TAKEN AND DESERVES
SERIOUS CONSIDERATION. IT REFLECTS SIMILAR CONCERNS WHICH THE
EMBASSY FELT AS PREPARATIONS FOR THE FIRST MEETING DRAGGED.
HIS POINT ON THE NEED TO AVOID LEGALISTIC INTERPRETATIONS IS
ALSO WELL TAKEN. THE EWG MEETING WILL INEVITABLY AFFECT THE
ECONOMIC AND POLITICAL RELATIONS WHICH LINK THE US AND ITALY;
AS WELL, IT WILL BE AN IMPORTANT ELEMENT IN GOI WILLINGNESS
TO CONTINUE TO PLAY A CONSTRUCTIVE ROLE IN THE IEA AND OTHER
ENERGY FORUMS. ITALIAN EXPECTATIONS HAVE NOT BEEN CONCRETELY
DEFINED TO US, AND WE SUSPECT THAT IN FACT THEY HAVE NOT YET
BEEN PRECISELY DEFINED. THIS INITIAL MEETING OF THE EWG WILL
UNDOUBTEDLY GALVANIZE THIS PROCESS, ESTABLISH THE BASIS FOR
THE DIALOGUE WHICH SHOULD CONTINUE, AND FACILITATE THE
TASK OF THE MFA - WHICH FOR EXAMPLE FACES A SUSPICIOUS AND
HOSTILE ENI - IN BRINGING ITALIAN POLICY TOGETHER ON THE
RIGHT TRACK. VOLPE

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